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SUBJECT: "OOPS I DID IT AGAIN" - FINMECCANICA SEEKS USG VIEWS ON PROPOSED ARMS SALE TO VENEZUELA

REF: ROME 1824

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¶1. This is an action request. Please see paragraph 7.

¶2. (U) Summary. A/Ecmin met June 26 with Camillo Pirozzi, Finmeccanica's Head of Public Affairs and Institutional Relations. Pirozzi requested the meeting to inform the USG of Finmeccanica's interest in selling naval guns to the Venezuelan navy for use in patrol boats. As reported reftel, it is Finmeccanica's policy to seek USG approval before entering into contracts in states of concern or in cases where the USG might object for foreign policy reasons. End summary.

¶3. (SBU) Finmeccanica subsidiary Oto Melara is negotiating a contract for the sale of eight 76mm guns to be installed on patrol boats (four coastal patrol boats and four oceanic patrol boats) being built by Navantia, a Spanish shipbuilder, for the Venezuelan navy. According to a Navantia press release, the boats will be used for coastal and oceanic patrols, including patrols of Venezuela's exclusive economic zone, fishing patrols, protection against smuggling and drug traffic, and general "defense of the maritime traffic." The contract for construction of the boats is worth 12.5 billion euros, and the contract for the guns, 50 million euros. Thales, a French company, is providing a combat management system for the boats in a contract estimated to be worth 230 million euros.

¶4. (SBU) As required by Italian law, Finmeccanica obtained GOI authorization to enter into negotiations for the sale of the guns to the Venezuelan navy. If Oto Melara wins the contract, the firm must obtain a separate license from the Ministry of Foreign Affairs to export of guns to Venezuela. The guns provided would be either model 76/62 SR or 76/62 C. The 76mm guns mounted at the front of the boat will complement 35mm or 40mm guns mounted in the rear.

¶5. (SBU) Pirozzi stated that the guns in question "are not very sophisticated," and characterized them as "not an excessively offensive weapon," due to their relatively short range. He also noted that there are already similar Russian- and Chinese-origin guns in the Venezuelan inventory and that if Oto Melara does not go forward with this sale, another supplier will likely step forward.

¶6. (U) Pirozzi emphasized repeatedly that Finmeccanica values its relationship with the USG and the business it does with the USG and U.S. companies. He said it is Finmeccanica policy to confer with the USG on sales or contracts in states of concern to which the USG might object. "Finmeccanica will

not proceed without positive U.S. government views on this sale."

¶7. (SBU) Embassy Rome requests guidance on how to respond to Finmeccanica's request for USG views of this sale. Specifically, how would the Department view plans by a U.S. corporation to export similar guns for use by the Venezuelan navy? To encourage Finmeccanica to continue its practice of consulting with the USG on sales of concern, we request Department's soonest possible front channel response to this action request. End action requested.

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